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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Finance
Tuesday, February 26, 2019
1:30 p.m.
State Capitol, Conference Room 308**

**On the following measure:
H.B. 1163, H.D. 1, RELATING TO SAVINGS PROMOTION CONTESTS**

Chair Luke and Members of the Committee:

My name is Iris Ikeda, and I am the Commissioner of Financial Institutions for the Department of Commerce and Consumer Affairs' (Department) Division of Financial Institutions (DFI). The Department appreciates the intent of the bill to incent consumers to save money and offers comments on this bill.

The purpose of this bill is to authorize financial institutions that are depository institutions to conduct savings promotion contests in which its account holders are contestants.

Financial institutions already offer a variety of savings account products to their customers. However, the bill as currently proposed may result in a few unintended consequences:

1. This bill applies only to financial institutions chartered by the DFI. This may result in an unfair playing field for national banks, credit unions, and other

financial institutions that may want to offer this savings promotion contest to their customers.

2. The bill provides a definition for “financial institutions” that conflicts with Hawaii Revised Statutes section 412:1-109. This conflict would create confusion throughout the financial institution community.
3. Savings promotion contests conducted in other states do not provide that each entry has an “equal chance of winning,” since other states allow the contestant to receive an entry for various types of transactions, not just deposits.
4. Some savings promotion contests offered in other states do not pay interest to customers. The incentive to customers is the anticipation of possibly winning a prize that would be worth more than the interest that would have been received if the account was just interest-bearing. Financial institutions pool the interest it would have collected to offer the prize to customers.
5. The financial institutions should consider the regulatory issues that come from offering a savings promotion contest, and these institutions must not conduct a savings promotion contest in a manner that jeopardizes their safety and soundness, misleads their customers, or violates federal law.
6. Some states provide that the contestant must be a certain age to enter the contest. In addition, similar to other prizes offered by financial institutions, the prize received is considered income.
7. Regarding section 4 of the bill, the Legislature should consider the following:
 - a. Where the contestant makes deposits into savings accounts or other savings programs that remain under the ownership of the contestant;
 - b. The interest rate, if any, of the contestant's account is lower than the interest rate associated with comparable accounts; or
 - c. The contestant pays any fee or amount to administer or maintain the contestant's account that the financial institution ordinarily and customarily charges an individual who does not participate in the savings promotion program.

Finally, the Department notes that some of the bill language is not used by the industry and by financial institution regulators and that some of the financial institution categories have been repealed.

Thank you for the opportunity to testify on this bill.

February 23, 2019

Representative Sylvia Luke, Chair
Representative Ty J. K. Cullen, Vice Chair
Members of the House Committee on Finance

I am testifying in support of HB 1163, HD1, Relating to Savings Promotion Contests on behalf of HawaiiUSA Federal Credit Union. Chartered in 1936, HawaiiUSA Federal Credit Union represents 127,000 members across the State of Hawaii.

This bill would allow our credit union to offer “savings promotion contests” to our members. This program is also known as “prize-linked savings”. This program is proven in many states to encourage credit union members to save money and improve their financial wellness especially among those living paycheck to paycheck. The concept is to encourage asset savings through incentives in the form of prizes that can be won. Entry is dependent on depositing funds for the purpose of saving. Part of our mission as a credit union is to help our members realize their financial goals – this bill could be a big step in accomplishing this.

We ask you for your support of this legislation. Thank you for your favorable consideration.

Sincerely,



Karl Yoneshige
President & CEO

KY:dkg



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Testimony to the House Committee on Finance
Tuesday, February 26, 2019, 11:00 am
Hawaii State Capitol, Room 308

In Support of HB 1163, Relating to Savings Promotion Contests

To: The Honorable Sylvia Luke, Chair
The Honorable Ty Cullen, Vice-Chair
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 51 Hawaii credit unions, representing over 800,000 credit union members across the state. We offer the following testimony in support of HB 1163, relating to Savings Promotion Contests.

This bill would allow financial institutions to offer a savings promotion contest program to their account holders. This program is also known as “prize-linked savings.” The concept is to encourage asset savings through incentives in the form of prizes that can be won. Entry is dependent on depositing funds for the purpose of saving. While the program has been active in many states, it has not been possible in Hawaii because of stringent laws prohibiting gambling.

Asset savings is a financial barrier for many people. Promoting saving money would help people achieve their financial goals, and HB 1163 could be a way to do this.

Thank you for the opportunity to provide testimony.